

# Federal Highway Administration Webinar on Value Capture Techniques: Infrastructure Banks

Webinar Date: May 12, 2021

## Answers to Questions Posed During the Webinar

### **When the project financing has been bundled, were any of the projects bundled for project delivery/construction for additional efficiencies?**

Emberg: The county has done that for other types of projects, but it has not yet done so as part of the infrastructure bank.

### **For the sign-and-drive program, what happens if there is a cost overrun on a project? Who absorbs that risk?**

Emberg: The contracts are between the borrower and the entity providing design, construction, etc. The county only provides administration and management services, and the contract clarifies who absorbs the risk.

### **In making a loan decision for a transportation facility, do you also review the borrower's ability to maintain the facility for its design life? Do borrowers with asset management programs receive a preference in receiving loan approvals?**

Cassell: No, the State infrastructure bank does not have a method to monitor a project during the design life.

### **Have there been any instances where the Georgia Transportation Infrastructure Bank (GTIB) could not provide the full loan amount of a construction project?**

Cassell: Yes, it frequently happens that GTIB loans are not covering the full cost of a construction project.

### **What makes a GTIB loan different from bonding or getting a loan elsewhere, other than the low interest rate?**

Cassell: It is much faster than the process of approving and issuing bonds or applying for loans elsewhere.

### **Does Georgia allow the use of State funds to pay back a GTIB loan?**

Cassell: Generally speaking, no, but there are exceptions in some circumstances.

### **Is the same funding source used to capitalize the grants and to capitalize the loans?**

Cassell: Yes, there is an annual allocation from the State.

### **What has the payback experience been like for these loans?**

Hood: We have not had issues with payback – it is part of the due diligence of working through the loan applications.

Cassell: There have been no problems, but the infrastructure bank has only existed for about 10 years, so those structures and processes have not been tested yet.

Emberg: There have been no issues in Dauphin County, and it is also part of vetting the creditworthiness of applicants.

### **What key regulatory requirements were needed to make the infrastructure banks work?**

Hood: Because Federal capitalization was included when the State Infrastructure Bank (SIB) was set up, agreements were made with the Federal agencies. The SIB had to incorporate as a not-for-profit organization and had to comply with those regulations as well.

Cassell: Two things in the enabling legislation were helpful: 1) the legislation was not overly prescriptive, thus allowing for flexibility in administering the SIB funds; and 2) one of the few prescriptions required balancing projects throughout the State instead of concentrating on the Atlanta metro area.

Emberg: There were many discussions with the Pennsylvania Secretary of Transportation, his deputies, and his legal counsel to determine that using liquid fuel dollars through the infrastructure bank was allowable.

### **What is the typical collateral involved when an entity is granted the loan?**

Hood: If a private entity applies for a loan, we require an irrevocable letter of credit. For public sector entities, we look for a dedicated revenue source to determine how secure the loan will likely be.

Cassell: In Georgia, there is no collateral, we evaluate the creditworthiness only.

Emberg: Dauphin County is the same; it has only creditworthiness requirements.

### **Are these loans/grants subject to American Iron and Steel (AIS) requirements and other Federal regulations?**

Hood: Yes, since we are a Federal SIB, these regulations must be followed.

Cassell: No Federal funds, so no Federal requirements.

Emberg: No, because we do not use Federal funds.

### **Do you assist local governments to update land use or zoning changes if such changes are relevant to projects?**

Hood: State DOT staff only assist if a project falls along the State highway system. Otherwise, it is left up to the local government.

Cassell: Not directly, but if the project involves significant land use changes or road expansion/extension, then including the land use changes and context can help the processing of the loan application on our end.

Emberg: We require a letter of support from the local municipality in which a project is located as part of the loan application. Other than that, there is no direct support for land use and zoning changes because that is controlled at the municipal level.

### **Can you speak to the administration and staffing of these programs?**

Hood: We have a budget with operating expenses included, which goes to the board annually for approval. There are also Missouri DOT staff who assist with processing loan applications.

Cassell: We have one and a half staff working on the program, but that does not include finance, legal, and underwriting services. The underwriting staff is paid either through interest on the loans or interest on the annual apportionment from the State legislature which sits in an investment account.

Emberg: Our program is administered through the county Department of Community and Economic Development. The department has staff of four for all programs, so there is outside consultant staff to help with the infrastructure bank. There is also:

- Legal counsel for executing notes and agreements with the municipalities
- A municipal coordinator who is the liaison between the county and the municipalities
- An engineering consultant to evaluate project eligibility and verification of project cost estimates.

### **What are some of the biggest challenges with reaching financial close with these projects?**

Hood: There is not much of an issue with timeliness at any stage of the process.

Cassell: New applicants are the only thing that slows down the process, but it is on the SIB staff person to stay on top of the application process and help them to get things moving.

Emberg: The Local Government Unit Debt Act (LGUDA) proceedings take time to complete, especially because municipalities do not go through them frequently. The State infrastructure bank has also taken longer (up to nine months) to capitalize the funds.

### **How often are interest rates evaluated?**

Hood: Interest rates are evaluated in real time when performing loan analysis to have the most current municipal interest rate schedule.

Cassell: Each time we declare being open for applications, we review the interest rates as the loan applications are coming in.

Emberg: We evaluate the interest rates with each round of loans and see what the market is doing.

### **How have your programs been affected by the COVID-19 pandemic?**

Hood: The pandemic did not have a huge impact on our functions and applicants.

Cassell: We performed our first ever loan-only call for projects and had more interest than ever before.

Emberg: There were very few applicants in the past year, probably due to the pandemic. We allowed municipalities to use our funds for their share of bridge-bundling projects since we had so few applicants.